

## California Food Stamp Program Access Improvement Plan Corrective Action Plan

### **Reimbursement Process (RP)**

**RP Finding #1:** Contractors frequently submit their invoices to CAFB late or with errors. As CAFB waits until all contractors invoices have arrived and are corrected in order to submit an overall invoice to CDHS, CDHS often receives CAFB invoices late.

**CPNS Response:** The Cancer Prevention and Nutrition Section (CPNS) agrees with RP Finding #1 and has discussed it with CAFB. It was mutually agreed that:

- 1) California Food Bank (CAFB) will bill CPNS within 30 days from the end of each quarter even if all food banks have not submitted invoices. CPNS will accept one supplemental billing for each quarter to include food banks that were not able to bill on the original invoice
- 2) CAFB will use an Excel tracking log and check for errors prior to sending invoices and state match documentation reports to CPNS
- 3) CAFB will send invoices and state match documentation reports to CPNS electronically to review prior to sending hard copy to review for errors
- 4) CPNS Contract Manager will send CAFB monthly reminders about past-due invoices and/or state match documentation reports if not received from CAFB 45 days after quarter end date. CPNS will automatically program the Grant Information and Fiscal Tracking System (GIFTS) to track invoices
- 5) Contract Managers will utilize GIFTS tracking system to generate monthly reports for invoice status and
- 6) Contract Managers will work with CPNS accounting staff to ensure that invoices to California Department of Social Services (CDSS) are timely

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**RP Finding #2:** CDHS invoices to CDSS also consistently arrive late. At the time of the review, CDHS' third quarter FFY 2005 invoice had not yet been submitted for reimbursement.

**CDHS Response:** CPNS agrees that invoices to CDSS are often not timely. CPNS and CDSS are working together to streamline the entire invoice processing system and have hired a fiscal consultant to provide recommendations. CPNS will implement recommendations during federal fiscal year (FFY) 07.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**RP Finding #3:** Although CDHS may not immediately seek reimbursement for contractor expenditures; they make certain that contractors are immediately reimbursed from their available funds.

**CDHS Response:** CPNS agrees to work with state and local Food Stamp Nutrition Education (FSNE) partners to expedite reimbursement of local projects and invoicing of expenditures to CDSS. CPNS is hiring an Accountant I to assist the Associate Accounting Analyst to increase the invoicing from CPNS to CDSS from quarterly to monthly. CPNS has hired a management consultant firm to review the invoice processing system and to make recommendations for improvements.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**RP Finding #4:** Invoices submitted to CAFB by contractors are not accompanied by back-up documentation for expenditures.

**CDHS Response:** CPNS agrees with RP Finding #4. On an ongoing basis, CAFB will conduct fiscal and programmatic review of a sampling of subcontractor organizations (three per quarter). CAFB will require supporting documentation from new subcontractors for the first two quarters to ensure understanding of the guidelines. CAFB will provide technical assistance to subcontractors as needed. CPNS will conduct random review of collected documentation from subcontractors, and CAFB will report to subcontractors and provide technical assistance on CAFB monitoring process as needed.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**RP Finding #5:** In August or September 2006, CAFB plans to institute fiscal training for all new and existing contractors and subcontractors to reduce invoice errors and timeliness issues.

**CDHS Response:** CPNS agrees with RP Finding #5. CPNS and CAFB conducted a fiscal training on September 15, 2006, and nutrition education and food stamp outreach had separate breakouts on allowable activities. This training reviewed the following *California Nutrition Network's (Network)* cost reimbursement mechanisms for nonprofit agencies:

- 1) How CPNS' federal match dollars are spent and benefits for nonprofit agencies
- 2) Allowable costs claimed
- 3) Definition of each line item in the budgets
- 4) Acceptable levels of documentation
- 5) Review of acceptable time tracking methodology
- 6) How to formulate indirect cost rate and obtain approval
- 7) Requirement for prorating travel for staff working at less than 100 percent
- 8) Requirement for prorating costs for expenses such as office space

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- 9) Requirement for tracking personnel time, including the semi-annual certification requirement for staff dedicating 100 percent to FSNE
- 10) How to order free outreach materials through the *Network's* warehouse and,
- 11) The concept that federal and state share activities and costs must be administered identically

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**RP Finding #6:** CDHS will soon employ a new software system that will allow them to track the movement of invoices through the reimbursement process so they will know how long invoices spend at each step of the process.

**CDHS Response:** CPNS agrees with RP Finding #6. CPNS is currently implementing the Grant Information and Fiscal Tracking System (GIFTS) in FFY 07.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**Concern**

**RP Concern #1:** Delays in the reimbursement chain place CDHS and contractors at financial risk. As many contractors are smaller organizations with modest budgets, they might not be able to sustain outreach work without timely reimbursement. Although CDHS has created security for contractors by paying them their Federal share before obtaining reimbursement from CDSS, this system creates stress for CDHS itself, which does not always have a comfortable level of reserves until reimbursement is received.

**CDHS Response:** CPNS agrees to work with state and local FSNE partners to expedite reimbursement of local projects and invoicing of expenditures to CDSS. CPNS is hiring an Accountant I to assist the Associate Accounting Analyst to increase the invoicing from CPNS to CDSS from quarterly to monthly. CPNS has hired a management consultant firm to review the invoice processing system and to make recommendations for improvements.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**Concern**

**RP Concern #2:** Invoices that lack back-up documentation do not have all the information needed for CAFB, CDHS, and CDSS to make good reimbursement decisions. Contractors who discover they were reimbursed for unallowable expenses must repay those costs as improper undiscovered reimbursement over a long term could be financially devastating for a smaller organization.

**CDHS Response:** CPNS agrees with RP Concern #2. In addition to the fiscal training held on September 15, 2006 (see Response #5 above), CPNS and CAFB have mutually agreed that:

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- 1) CAFB informed new subcontractors and the sub-hub umbrella organizations that they are required to submit supporting documentation for the first two quarters of FFY 2007 with their state match documentation report and invoice for outreach services. CPNS will follow-up with CAFB to sample documentation provided and work with CAFB fiscal staff to jointly conduct the desk review. CPNS will use this as an opportunity to provide technical assistance on how to conduct a desk review. CPNS will provide desk review tools for CAFB to use and possibly adapt to nonprofits
- 2) On an ongoing basis, CAFB will conduct program and fiscal reviews of a sample (roughly three per fiscal quarter) of subcontractors annually, as well as provide technical assistance
- 3) By December 30, 2006, CAFB, the Central Valley Health Network, and CPNS staff will develop a non-profit Incentive Awardee Guidelines Manual and PowerPoint training. The Incentive Awardee Guidelines Manual will contain both programmatic and fiscal sections
- 4) CPNS and CAFB will communicate with CAFB subcontractors via a program letter about the semi-annual certification requirement for all staff dedicating 100 percent to FSNE and
- 5) CAFB will request a sample of time studies, weekly time-records, and/or semi-annual certifications for the first quarter of FFY 07 from all subcontractors to ensure that all staff funded through the federal/state/local FSNE budget shares and dedicating less than 100 percent time to FSNE are maintaining approved personnel time tracking records. CAFB will submit copies of the time studies and/or weekly time records to CPNS with their first quarter invoice

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**Recommendations**

**Recommendation #1:** CAFB should continue their plan to provide initial fiscal training to partners and should provide continuing education on subject as needed.

**CDHS Response:** CPNS agrees with RP Recommendation #1. As stated in Concern Response #2, CAFB informed new subcontractors about supporting documentation requirements. CPNS will train CAFB fiscal staff on how to conduct desk reviews. CAFB will conduct desk reviews and provide technical assistance to their subcontractors. Additionally, CPNS will work with CAFB to assess whether current staffing levels are sufficient to coordinate program and fiscal operations among subcontractors.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**Recommendation #2:** CDHS should keep CDSS and Food and Nutrition Services (FNS) aware of findings about the reimbursement process generated by the new tracking software.

**CDHS Response:** CPNS agrees to keep CDSS and FNS informed of findings about the reimbursement process generated by GIFTS tracking system.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**Recommendation #3:** CAFB should check back-up documentation for contractors' invoiced expenses on a regular basis. Although CAFB need not check every piece of back-up documentation for every invoice, CAFB might choose to spot check documentation for all contractors each year or may ask for all the documentation for one quarter's invoice at some point in the year for all contractors. New contractors should plan to submit all back-up documentation to CAFB for at least the first two quarters, or until they can demonstrate that they understand fiscal rules.

**CDHS Response:** CPNS agrees with RP Recommendation #3. As stated in Response #2, CAFB will conduct quarterly programmatic and fiscal reviews of a sample (approximately three per quarter) of subcontractors. Additionally, CAFB informed new subcontractors that they will be required to submit supporting documentation for the first two quarters of FFY 2007.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**Cost Allocation (CA) Findings**

**CA Finding #1:** Not all partners were certain how to calculate an indirect cost rate. At the time of the review, CAFB had not yet provided guidance to contractors and subcontractors, but planned to do so. CAFB's indirect cost calculation included rent, which should be directly allocated.

**CDHS Response:** CPNS agrees with CA Finding #1. CPNS provided CAFB with a copy of the Office of Management Bureau (OMB) Circular A-122 with detailed information as to how an organization without an existing federally negotiated indirect cost rate should calculate its rate. CPNS covered formulating an indirect cost rate as part of the fiscal training on September 15, 2006. CPNS will require each organization to provide its calculations of the indirect rate so that CPNS can check calculations and approve the methodology. According to the OMB circular, CPNS is the agency approving the calculations. CPNS will provide each organization with a letter stating approval of its indirect cost calculations. Additionally, CAFB will be instructed to directly allocate their rent costs and any other costs that can be directly allocated.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**CA Finding #2:** CAFB's phone expenses were exactly the same each month, although each month's phone bill varied.

**CDHS Response:** CPNS agrees with CA Finding #2 and has notified CAFB that they are to use actual costs.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**CA Finding #3:** Contractors invoiced for exactly the same amount as they budgeted which initially caused concern for FNS. However, it was discovered that this was due to contractors consistently underestimating the cost of performing outreach, which led to them not seeking reimbursement for amounts they expended beyond the budget. As very few contractors spend less than projected, CAFB does not have reserve funds to offer those who underestimate their expenses reimbursement.

**CDHS Response:** CPNS agrees with CA Finding #3. CAFB will work with their subcontractors to ensure that future outreach budgets are more accurate.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**Cost Allocation (CA) Concerns**

**CA Concern #1:** Contractors have an incomplete understanding of how to calculate some costs and may be over- or under-billing CDHS for expenditures.

**CDHS Response:** CPNS agrees with CA Concern #1. Instruction on cost calculations and allowable reimbursements were provided at the fiscal training on September 15, 2006.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**CA Concern #2:** Contractors are absorbing outreach costs due to the difficulty of projecting expenses. This might create financial stress for smaller organizations and might impair their ability to continue as outreach partners.

**CDHS Response:** CPNS agrees with CA Concern #2. Based on experience gained in FFY 06, CAFB and subcontractors will strive to project expenses more accurately.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**Cost Allocation (CA) Recommendations**

**CA Recommendation #1:** CDHS and CAFB should review Federal rules concerning indirect cost rates and provide guidance about how to formulate a reasonable rate. Specifically, indirect cost rates cannot contain costs that can be directly attributed, such as space costs. All contractors should retain documentation that indicates how their indirect cost rates were derived.

**CDHS Response:** CPNS partially agrees with CA Recommendation #1. CPNS provided CAFB with a copy of the OMB Circular A-122 with detailed information as to how an organization without an existing federally negotiated indirect cost rate must calculate its rate. CPNS covered formulating an indirect cost rate as part of the fiscal training on September 15, 2006. CPNS will require each organization to provide its calculations of the indirect rate so that CPNS can check calculations and approve the

methodology. According to the circular, CPNS is the agency approving the calculations. CPNS will provide each organization with a letter stating approval of its indirect cost calculations.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**CA Recommendation #2:** CAFB should provide guidance to contractors about projecting costs during outreach plan preparation time and during site visits, if adjustments appear necessary.

**CDHS Response:** CPNS agrees with CA Recommendation #2 and expects CAFB will use experience gained in FFY 06 to assist subcontractors with cost projections and developing their budgets.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**Relationship with County Social Service Agencies (CSS) Findings**

**CSS Finding #1:** Contractors Reported that they have been challenged in their pursuit of close and productive relationships with Food Stamp Program (FSP) leaders at the county level, primarily due to the advent of the CalWORKs Information Network (CalWIN) and the increased workload and anxiety associated with implementation of this new eligibility determination system. The county focus on CalWIN has shifted attention away from improving the application process for clients of outreach services and for the general public. It was reported that clients served by outreach providers may still have difficulty entering the FSP due to complications at the social services office level, such as requests for unnecessary verification and overuse of face-to-face interviews. However, county and outreach contractor pairs do continue to realize success in their partnerships. For example, Contra Costa and the Contra Costa Social Services Department have planned and executed trainings to partnering agencies interested in providing FSP application assistance.

**CDHS Response:** CPNS agrees with CSS Finding #1. CAFB will identify subcontracting organizations that are having challenges with their county food stamp offices and provide this information to CDSS to assist with facilitation of potential solutions.

**CDSS Response:** The CalWIN Project recently completed a phased 18-county rollout in July 2006. These counties converted from partially-automated legacy systems to a highly automated data-rich system. As with any new computer system, there is a learning curve as workers become familiar with the new system. Some of the larger CalWIN counties, such as Alameda, have taken additional steps to address staff training needs by hiring consultants to provide targeted training in areas where staff are having more difficulty. It is expected that as staff gain more experience with the new system, the counties will be able to resume their previous levels of involvement in FS outreach activities.

**CSS Finding #2:** Contractors report difficulty in obtaining data on the outcomes of their outreach work from county agencies. Each county and outreach contractor pair must negotiate if and how to share information on the status of applications generated by outreach services. Contractors understand that it is time-consuming for the county to provide data on a regular basis for the many applications generated by outreach.

**CDHS Response:** CPNS agrees with CSS Finding #2. CDSS, CPNS, and CAFB are exploring modifying a prescreening tool (such as New York's) to contain California food stamp rules. The system is web based, and could potentially interface with county systems and allow limited data sharing with appropriate consent.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**CSS Finding #3:** CDSS, CDHS, CAFB, and contractors all report that they highly value county partnership in FSP outreach and feel responsible for creating outreach programs that respect and deepen the county role. CDSS, in particular, sees their role as a liaison to and representative of county FSP leaders and their needs.

**CDHS Response:** CPNS agrees with CSS Finding #3.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

#### **Relationship with County Social Service Agencies (CSS) Concerns**

**CSS Concern #1:** Relationships between county agencies and outreach partners that operate below potential may reduce the success of outreach contacts with individual customers and the long-term growth and development of the outreach program.

**CDHS Response:** CPNS agrees to continue working with CDSS and CAFB to facilitate mutually beneficial relationships between county agencies and outreach partners. CDSS, CPNS, and CAFB are in the process of contracting with a call center that can handle statewide referrals for FSP information and connect individual income-eligible clients with a community based organization (CBO) or county food stamp office for application assistance. CDSS, CPNS, and CAFB are also in the process of developing a website that will improve communication between the CAFB partners, local agencies, and county food stamp offices.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**CSS Concern #2:** Lack of data about the outcomes of outreach contacts makes it impossible to measure the program and cost-effectiveness of the outreach effort. All partners, including FNS, need outcome data in order to understand how to best grow and develop the outreach program.



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**CDHS Response:** CPNS agrees with CSS Concern #2. CDSS, CPNS, and CAFB are exploring modifying a prescreening tool (such as New York's) to contain California food stamp rules. The system is web based, and could potentially interface with county systems and allow limited data sharing with appropriate consent. Currently, a couple of outreach partners that have good relationships with their county FSP offices are able to track outcomes of applications submitted as a result of outreach efforts with appropriate client consent.

**CDSS Response:** CDSS agrees with the response provided by CDHS.

**Relationship with County Social Service Agencies (CSS) Recommendations**

**CSS Recommendation #1:** CDSS should expand their current activities aimed at building support for outreach at the county level. CDSS should explore how to provide increased individual attention to county and contractor pairs that are most challenged in their partnerships.

**CDSS Response:** CDSS has expanded efforts to work with counties and outreach contractors on an individual basis. Recently, CDSS has facilitated meetings in San Luis Obispo County and in San Diego County. CDSS will continue to work with county work groups and CAFB to identify counties that would benefit from additional support. CDSS will provide support for CAFB program site visits as appropriate.

**CSS Recommendation #2:** CDSS should explore a data-sharing system that outreach contractors can access without county involvement or some other method of facilitated data-sharing. CDSS may wish to obtain best-practices from other States with sizable outreach programs, such as Washington or New York.

**CDHS Response:** CPNS partially agrees with CSS Recommendation #2. CPNS is already engaged in this activity. CDSS has communicated with other states to obtain best practices. CDSS, CPNS, and CAFB are currently exploring modification a prescreening tool (such as New York's) to contain California food stamp rules. The system is Web-based and could potentially interface with county systems and allow limited data share with appropriate client consent.

**CDSS Response:** CDSS agrees with the response provided by CDHS.